

Message Text

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ACTION STR-04

INFO OCT-01 EA-07 IO-13 ISO-00 STRE-00 FEA-01 AGR-05

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FM AMEMBASSY SEOUL

TO SECSTATE WASHDC 8578

INFO AMEMBASSY TOKYO

USDEL MTN GENEVA

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E.O. 11652: N/A

TAGS: MTN ETRD

SUBJ: VISIT TO KOREA OF AMBASSADOR CLAYTON YEUTTER

REF: STATE 174525

SUMMARY: THIS MESSAGE SUMMARIZES DISCUSSIONS BY AMBASSADOR YEUTTER, DEPUTY STR, WITH OFFICIALS OF THE ROK FOREIGN MINISTRY (MOFA), ECONOMIC PLANNING BOARD (EPB), MINISTRY OF COMMERCE AND INDUSTRY (MCI), AND MINISTRY OF AGRICULTURE AND FISHERIES (MAF) JULY 26 AND 27, 1976. THE ROK GOVERNMENT'S PREPARATIONS FOR MTN HAVE YET TO BE FORMULATED AND THEREFORE THE VISIT SERVED AS A CATALYST FOR KOREAN POLICY DECISIONS AS WELL AS AN OPPORTUNITY TO SOLICIT ITS SUPPORT FOR VARIOUS U.S. GOALS DURING MTN. END SUMMARY.

1. AMBASSADOR YEUTTER, ASSISTED BY MR. WILLIAM KELLY, ASSISTANT STR FOR TRADE NEGOTIATIONS, MET WITH DEPUTY PRIME MINISTER AND MINISTER FOR EPB NAM DUCK-WOO (MC/R: NAM TOK-U); MCI MINISTER CHANG YIE-JOON (MC/R: CHANG YE-CHUN); MAF VICE MINISTER CHANG
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DUK-HEE (MC/R: CHANG TOK-HUI); AND MR. HAM TAE-HYUK (MC/R: HAM

T'AE-HYOK); ECONOMIC AFFAIRS BUREAU DIRECTOR, MOFA. A SEPARATE INTER-MINISTERIAL MEETING CHAIRED BY MCI ASSISTANT MINISTER KIM SUN KIL (MC/R: KIM SON-KIL) AND INCLUDING CHIN SHIK NOH (MC/R: NO CHIN-SIK) PROVIDED THE PRINCIPAL OPPORTUNITY FOR AN EXCHANGE WITH THE MOST KNOWLEDGEABLE RESPONSIBLE OFFICIALS CONCERNING MTN AND BILATERAL US-KOREA TRADE MATTERS. THE MEETINGS INVOLVED SOME REPETITION WHICH WE HAVE DELETED IN THIS REPORT, INSTEAD CONVEYING THE SUBSTANCE OF THE KOREAN REACTION TO THE STR PRESENTATION.

2. YEUTTER EXPLAINED THE STATUS AND US THINKING WITH REGARD TO THE MORE IMPORTANT ISSUES FOR MTN. HE DESCRIBED US PROBLEMS WITH THE E/C COUNTRIES ON AGRICULTURAL AND OTHER MATTERS AS A BACKDROP AND INDICATED THE OPPORTUNITIES FOR DEVELOPING COUNTRIES SUCH AS KOREA THRU ACTIVE MTN PARTICIPATION. HE RECEIVED A GENERAL KOREAN COMMITMENT TO SUPPORT US POSITIONS WHEREVER POSSIBLE AND PARTICULARLY WITH REGARD TO THE US TARIFF FORMULA IN PREFERENCE TO THAT OF THE E/C AND THAT TO BE TABLED BY JAPAN. SPEAKING FOR THE ROKG, KIM SUN KIL ACKNOWLEDGED KOREAN PREFERENCE FOR DEEP TARIFF CUTS PROPOSED BY THE US RATHER THAN "HARMONIZATION" STRESSED BY THE E/C. KOREA'S CONCERN, OF COURSE, KIM STRESSED, AS DID THE VARIOUS MINISTERS, IS THAT THE NUMBER OF EXCEPTIONS TO TARIFF CUTS BE AS NARROW AS POSSIBLE. KIM REQUESTED AS SOON AS POSSIBLE A COPY OF THE US OFFERS SO THAT HIS GOVERNMENT COULD JUDGE WHAT MIGHT BE OF INTEREST TO IT AND WHAT MIGHT BE INVOLVED IN THE \$108 MILLION FIGURE CITED BY THE AMBASSADOR AS THE VALUE TO KOREA OF US OFFERS.

3. KIM REFLECTED DETAILED KNOWLEDGE OF ALL ASPECTS OF MTN AND WELCOMED STR'S INDICATION THAT "SPECIAL AND DIFFERENTIAL TREATMENT" COULD BE BUILT IN TO THE US PROPOSAL TO NEGOTIATE BOUND DUTIES AT ZERO ON A MFN BASIS PROVIDED DEVELOPING COUNTRIES LIKE KOREA WOULD OFFER A MEASURE OF RECIPROCITY FOR THOSE CONCESSIONS.

WITH REGARD TO THE STANDARDS CODE, KIM STATED THAT HE HAD TALKED TO MANY LDC REPRESENTATIVES IN NAIROBI AND ELSEWHERE AND FELT THAT THE DEVELOPING COUNTRIES ARE LOOKING FOR TECHNICAL TRANSFER AND GRACE PERIODS IN THE ADOPTION OF STANDARDS. HE POINTED OUT THAT IT IS PARTICULARLY IMPORTANT FOR KOREA AS AN INDUSTRIAL EXPORTER TO KNOW HOW THE STANDARDS CODE WILL DEAL WITH "GRAY AREAS".

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4. KIM RECOGNIZED THE IMPORTANCE OF DEALING SUCCESSFULLY WITH THE QUESTION OF SUBSIDIES AND COUNTERVAILING DUTIES WHICH AS THE POTENTIAL TO DETERMINE THE SUCCESS OR FAILURE OF MTN. HE STATED THAT THE PRINCIPAL INTEREST OF KOREA WAS THAT SPECIAL TREATMENT BE ACCORDED DC'S IN DEALING WITH SUCH PRACTICES. HE NOTED THAT KOREA MUST CONCENTRATE ON PRODUCTS IN WHICH IT HAS COMPARATIVE ADVANTAGE. THEREFORE THE POINT AT WHICH A DEVELOPING COUNTRY WOULD BECOME COMPETITIVE AND THEREFORE NO LONGER JUSTIFIED IN CONTINUING SUB-

SIDEIS TO PROTECT INFANT INDUSTRIES WOULD BE ITS CHIEF CONCERN.
KOREA COULD, HOWEVER, AGREE WITH THE US POSITION IN PRINCIPLE
THAT A "GRADUATION" XQPTC#IS NECESSARY TO DEVELOPING A VIABLE
CODE.

5. WITH REGARD TO THE SAFEGUARDS CODE, KIM STATED THAT GATT
ARTICLE 19 NEEDS CHANGE, AND PARTICULARLY NEEDS A DEFINITION FOR
WHAT CONSTITUTES "SERIOUS INJURY". HE AGREED TO STUDY THE US
CONCEPTS PAPER WHEN IT BECOMES AVAILABLE TO HIM AND COULD SUPPORT IT
AS LONG AS IT ESTABLISHED THE RULE THAT SAFEGUARDS MIGHT ONLY BE
USED IN EXTREMIS AND WITH GREAT RESTRAINT. KIM SAID THE KOREAN
VIEWPOINT IS THAT THE CRITERIA FOR DECIDING WHEN A COUNTRY HAS
"GRADUATED" TO A COMPETITIVE STATUS SHOULD BE BASED ON THE NATURE
OF DIFFERENT INDUSTRIES AND DIFFERENT COMMODITIES.

6. KIM SAID KOREA COULD AGREE EASILY WITH US IDEAS ON HOW THE
GATT REFORM QUESTION BEING PUSHED BY BRAZIL SHOULD BE CONTAINED
SO THAT IT WILL NOT "ROCK THE NTM BOAT". HE STATED THE PRINCIPAL
ROK'S INTERESTS AS THOSE OF TARIFFS, NTM'S AND SAFEGUARDS. HE
ACKNOWLEDGED HOWEVER THAT NOT TOO MUCH THOUGHT HAD BEEN GIVEN TO
GATT REFORM AND SOME OF THE OTHER ISSUES ON WHICH "WE ARE NOT BEING
PUSHED BY OUR MISSION AT GENEVA." HE ALSO STATED THAT FAILURE
THUS FAR OF THE ROK TO STAND UP AND BE COUNTED ON MANY OF THE US
POSITIONS HAS NOT SIGNIFIED LACK OF INTEREST, BUT WAS RATHER
A QUESTION OF TIMING. KIM STATED THAT "WHEN THE MTN GEARS START
TO TURN," THE ROK WILL STAND UP IN INTEREST OF MANY OF THE US
POSITIONS WHICH AMBASSADOR YEUTTER HAD INDICATED WERE IN ITS FAVOR,
PARTICULARLY WITH REGARD TO ITS POSITION VERSUS THE E/C. IT WOULD,
HOWEVER, "BE UNABLE TO STAND UP AND YELL FOR THE US WHEN
NO OTHER SMALL NATIONS SPEAK UP."

NOTE BY OC/T: (#)AS RECEIVED.
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7. ON BILATERAL QUESTIONS, KIM INDICATED THAT THE ROKG'S ATTITUDE TOWARD TROPICAL PRODUCTS IS TIED TO THE TARIFF AND NON-TARIFF MEASURES THAT GO WITH THEM AND WHETHER THE US CAN OVERCOME E/C OPPOSITION. THE ROKG HAS ANALYZED THE LIST OF 150 ITEMS PROVIDED BY THE US AND CONCLUDED THAT ONLY PLYWOOD IS WORTH NEGOTIATING. KIM POINTED OUT THAT MOST OF THE \$108 MILLION WHICH HAD BEEN SUGGESTED BY YEUTTER AS THE VALUE OF US BENEFITS TO KOREA WOULD BE PLYWOOD. KIM OBSERVED THAT KOREAN COMPARATIVE ADVANTAGE IN PLYWOOD HAS BECOME SO THIN THAT IT MIGHT DISAPPEAR BEFORE NEGOTIATIONS WITH THE US COULD BE UNDERTAKEN. ON SUCH BILATERAL ISSUES AS FOLLOWUP TO UNCTAD, HE SAID THAT KOREA WOULD AGREE WITH YEUTTER'S ANALYSIS THAT THERE ARE NOT MANY COMMODITIES TO WHICH SUPPLY ACCESS AND STABLE PRICE MEASURES CAN BE MADE TO APPLY. IN THAT REGARDS, KOREA SHARES THE JAPANESE POSITION THAT IT "CANNOT BE OUTBID" BY OTHER BUYERS FOR SCARCE COMMODITIES.

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8. IN SUMMARY KIM SAID THAT "WHEN THE CHIPS ARE DOWN, THE ROKG WOULD BE ON THE US SIDE," AND HE LOOKED FORWARD TO RECEIVING THE US CONCEPTS PAPER FROM GENEVA.

9. EMBASSY COMMENT: YEUTTER'S VISIT WAS TIMELY IN TERMS OF THE PRESENT STAGE OF ROKG PREPARATION FOR MTN, AND HIS PRESENTATION WAS CLEAR, WELL UNDERSTOOD AND FRANKLY RECEIVED BY ROKG OFFICIALS WHOSE KNOWLEDGE OF THE ISSUES AT GENEVA WAS THOROUGH.
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